

Approved:



Department of Transportation

Effective: April 20, 2011

Office: Specifications and Estimates

Topic No.: 625-030-005-d

## **COST SAVINGS INITIATIVE PROPOSAL**

### **PURPOSE:**

To provide a consistent and uniform process for the Department of Transportation (Department) to evaluate Cost Savings Initiative (CSI) Proposals submitted by Contractors.

### **AUTHORITY:**

Sections 20.23(4)(a) and 334.048(3), Florida Statutes (F.S.)

### **SCOPE:**

This procedure affects Department personnel, Consultants, Contractors, and others who may be required to evaluate and process a CSI Proposal.

### **REFERENCES:**

- (1) Section 4 of the Florida Department of Transportation (FDOT) Specifications  
<http://www.dot.state.fl.us/specificationsoffice/>
- (2) American Association of State Highway and Transportation Officials (AASHTO), Guidelines for Value Engineering, AASHTO Bookstore,  
<http://www.transportation.org>
- (3) Federal Highway Administration (FHWA), Construction Program Guide, Value Engineering Change Proposals (VECPs)  
<http://www.fhwa.dot.gov>
- (4) Chapter 26 of the Plans Preparation Manual (PPM), Volume 1, Topic No. 625-000-007  
<http://www.dot.state.fl.us/rddesign>

## GENERAL:

The CSI Proposal provision is found in **Section 4** of the **FDOT Specifications**. This provision provides a method for the Contractor to propose changes in the contract requirements which will accomplish the project's functional requirements, while reducing the project cost, increasing cost effectiveness or significantly improving the project quality without degrading performance, maintainability, or safety. Any proposal submitted that reduces the project cost without substantially changing the work and that was not otherwise provided for in the contract documents should be considered as a CSI Proposal.

## DEFINITIONS:

**Concept Meeting:** Held after contract time begins used to exchange ideas concerning a potential CSI Proposal that a Contractor is considering. The purpose of this meeting is to discuss the feasibility of the Contractor's proposal prior to the Contractor incurring substantial development costs.

**Contract Schedule:** A procedural plan that indicates the time and sequence of each construction operation, such as a Critical Path Method (CPM) or Gantt chart.

**Allowable Contract Time:** The calendar days allowed for completion of the contract work including authorized time extensions.

**Cost:** The amount paid or charged for goods and services.

**CSI Workshop:** Held prior to the beginning of contract time used for the Contractor and Department to discuss potential proposals.

**Function:** The original intent or purpose that a product, service, or process is expected to perform.

## 1. CSI PROPOSAL REVIEW PROCESS

### 1.1 CSI Workshop

A CSI Workshop shall be held, prior to contract time beginning, for the Contractor and Department to discuss potential CSI Proposals. The purpose of the workshop is to discuss any ideas that could result in reducing the cost of the project, reducing contract time, increasing the cost effectiveness of the project, or improving the quality of the project. The group should consider the advantages and disadvantages of the ideas and

also discuss submittal dates and review periods. The Department, at its sole discretion, may delay the start of construction at the beginning of a contract for the purpose of CSI Proposal development and review. The CSI Workshop can be eliminated only if agreed to by both the Department and the Contractor.

The Construction Project Manager shall be responsible for scheduling and coordinating the CSI Workshop. The Contractor, Construction Project Manager, Engineer of Record, Design Project Manager, District Value Engineer (DVE), and representatives from any office that functionally could be affected by the proposed change (i.e., Design, Construction, Materials, and Maintenance) shall attend the workshop. On FHWA full oversight projects, the FHWA Area Transportation Engineer should also be invited to the workshop. The State Structures Design Office shall be invited to the workshop for any project involving a Category 2 Bridge.

For CSI Proposals that propose major design modifications on a Category 2 Bridge, the independent peer review requirements as outlined in **Section 4** of the **FDOT Specifications** and **Chapter 26** of the **Plans Preparation Manual (PPM), Volume 1, Topic No. 625-000-007** must be discussed with and be agreed to by the Contractor.

## 1.2 Concept Meeting

For potential CSI Proposals not discussed at the CSI Workshop, the Construction Project Manager shall schedule a concept meeting prior to submission of the CSI Proposal. The meeting shall be attended by the same parties listed for the CSI Workshop and representatives from any office that could be affected by the proposed change. The purpose of this meeting is to discuss the concept and contract schedule prior to the Contractor incurring substantial developmental costs. This meeting is intended to enhance the acceptability of the proposal. The group should consider the advantages and disadvantages of the proposal and the current design. The Contractor and Department should discuss the submittal date, the review period, and the contract schedule to determine the urgency of the submittal. The Department, if justified, may grant time extensions to allow for the time required to develop and review a CSI Proposal. The Concept Meeting can be eliminated only if agreed to by both the Department and the Contractor.

On FHWA full oversight projects, the FHWA Area Transportation Engineer should also be invited to the meeting. The State Structures Design Office shall be invited to the meeting for all CSI Proposals that propose major design changes to Category 2 Bridges.

For CSI Proposals that propose major design modifications on a Category 2 Bridge, the independent peer review requirements as outlined in **Section 4** of the **FDOT Specifications** and **Chapter 26** of the **Plans Preparation Manual (PPM), Volume 1, Topic No. 625-000-007** must be discussed with and be agreed to by the Contractor.

### 1.3 CSI Proposal Submittal by Contractor

The Contractor shall submit the CSI Proposal to the Resident Engineer/Operations Engineer (RE/OE), who will forward to the DVE. The contents of the complete submittal package shall meet the data requirements listed in **Section 4** of the **FDOT Specifications** and shall also include the following:

- Project name and location
- Contractor name and contact information

### 1.4 Reviewer Identification

Upon receipt of the CSI Proposal submittal package, the DVE, with the assistance of the RE/OE, shall coordinate reviews with all impacted technical areas. The participants in the CSI Workshop or Concept Meeting shall be included in the review of the proposal. The State Construction Office and the District Specifications Engineer must review any CSI Proposal that impacts a specification. The State Materials Office should review any CSI Proposal that impacts materials or materials testing.

The DVE shall forward to the State Structures Design Engineer any CSI Proposal concerning Category 2 Bridges.

### 1.5 Establishment of Review Schedule

According to **Section 4** of the **FDOT Specifications**, the Contractor will state the date required for resolution of the CSI Proposal. To determine if the Contractor's time frame is reasonable, the DVE shall provide the District Design Engineer (DDE) and/or the District Consultant Project Management Engineer (DCPME), with a copy of the CSI Proposal. The DDE and/or the DCPME shall evaluate the time necessary to review the technical aspects of the proposed changes. If the Contractor's schedule cannot be met, the Department will immediately notify the Contractor and schedule a meeting to negotiate a mutually acceptable review period. If a mutually acceptable review period cannot be reached then the CSI Proposal is rejected and the Contractor is notified immediately.

### 1.6 Technical Review

Upon the establishment of an acceptable review period, the CSI Proposal will be distributed to the reviewers with a due date for completion of the review. The DVE will ensure that the reviewers meet the agreed upon schedule. When a district reviewer desires technical review assistance from outside the district, the reviewer is responsible for obtaining the review and forwarding the resulting comments to the DVE for inclusion in the package. Reviewers shall return their comments to the DVE. The DVE shall compile all technical review comments and forward to the District Construction Engineer (DCE).

On FHWA full oversight projects, the RE/OE will notify and copy the FHWA Area Transportation Engineer and request that all comments be forwarded to the DCE.

The RE/OE will review the CSI Proposal for constructability, quantity computations, adherence to the contract requirements, and verification of the Contractor's proposed savings. As indicated in the contract, the Department must carefully review for proper documentation of the increase/decrease of pay item quantities as well as any unit cost changes. The items that are changed must be a result of the CSI Proposal proposed by the Contractor. The RE/OE's review should include any changes to the contract schedule and contract time. The RE/OE will forward the results of their review to the DCE. The DCE will review the findings, including all comments from the FHWA Area Transportation Engineer.

## 1.7 Post Review Administration

Once the appropriate and responsible offices have reviewed and commented on the CSI Proposal, the DCE shall compile the review comments and forward the following to the District Director of Operations (DDO) or designee:

- A description of the CSI Proposal, including estimated savings.
- All comments resulting from the comprehensive review.
- Recommendation on approval or rejection.
- The date a decision is required.

## 1.8 Resolution

With all reviews and recommendations in hand, the DDO or designee will either approve or reject the proposal in writing. For documentation and reporting, the DVE shall be copied on all decisions regarding the CSI Proposal. The DDO or designee may request a resolution meeting to clarify issues prior to making a decision. If requested, the DCE shall schedule a resolution meeting. The DCE through the RE/OE shall immediately inform the Contractor of the review decision.

If the CSI Proposal is approved, the Contractor shall receive 50% of the net reduction of the cost savings. The net reduction will be determined by subtracting the documented engineering costs incurred by the Contractor from the construction cost savings.

### Example:

Construction Cost Savings	\$100,000
<u>Documented Engineering Costs</u>	<u>\$ 10,000</u>
Net Reduction	\$ 90,000
50% of Net Reduction	\$ 45,000

A supplemental agreement reducing the contract amount by the 50% net reduction

(\$45,000) shall be prepared for approved CSI Proposals. The documented engineering costs shall not exceed 25% of the construction cost savings and shall be documented by consultant certified invoices billed to the Contractor. The cost associated with the development and implementation of the CSI Proposal by the Contractor's employees shall not be included in the development costs. The total construction cost savings, the Contractor's documented engineering costs, and the net reduction of the contract shall be reflected in a supplemental agreement. A copy of the supplemental agreement implementing an approved CSI Proposal shall be forwarded to the DVE, DDE, DCPME, District Specifications Engineer, and the Design Project Manager.

A CSI Proposal that proposes major design modifications of a Category 2 Bridge shall meet the requirements of **Section 4** of the **FDOT Specifications** and **Chapter 26** of the **PPM, Volume 1, Topic No. 625-000-007**. The supplemental agreement incorporating the CSI Proposal modifications on a Category 2 Bridge shall reference **Chapter 26** of the **PPM** for the requirements of an independent peer review.

## 2. REPORTING

The DVE is responsible for inputting and updating the CSI Proposal data in the Value Engineering Reporting database. The State Value Engineer (SVE) shall develop a quarterly report on the progress of the CSI Program and formally report to the Executive Committee on an annual basis. The DVE shall also notify the SVE of potential statewide opportunities for design, construction, and maintenance improvements.

### 2.1 Record Management

CSI Proposal records are designated as construction documents and have a retention cycle consistent with that classification.

## 3. TRAINING

There is no mandatory training associated with this procedure.

## 4. FORMS

There are no mandatory forms associated with this procedure.